(b) if so, the reaction of Government on such comments made by the World Bank; and

(c) what steps Government are contemplating to maintain balance of payments situation ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR) : (a) No, Sir. However a World Bank study states that India's balance of payments will remain fragile and dependent on exceptional financing for the next four or five years.

(b) In addition to the short-term and medium-term policy measures initiated already to improve the balance of payments, steps are being taken to arrange for exceptional financing both from multilateral and bilateral sources so as to avoid any crisis situation.

(c) The steps being taken to improve the balance of payments position and reduce the current account deficit include, effective implementation of the new system of liberalised exchange rate management; liberalised trade policy regime focussing on increased export earnings; increased capital in flows both from bilateral and multilateral sources consistent with financial prudence and attracting direct foreign investment.

Discrimination against Indian Investors

1275. SHRI MOHD. KHALEELUR RAHMAN :

SHRIMATI MIRA DAS :

SHRI SARADA MOHANTY :

Will the Minister of FINANCE be pleased to state :

(a) Whether there is any discrimination against Indian Investors in contrast to foreign and NRI investors in industry and stock investments;

(b) If so, what are the detail thereof;

(c) whether any favourable treatment is offered or given with long term Capital Gain Tax;

(d) what is the long term gain tax in advanced countries;

(e) whether Government are considering reduction in short term capital gain tax from 65 to 45 per cent or to any other lower slab for foreign and NRI investors;

(f) what is the short term capital gain tax in advanced countries; and

(g) whether this would lead to greater mobility in contrast by foreign investors in contrast to local investors with serious implications on the stock market ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR) : (a) to (c) NRIs are allowed to invest directly in industries in India either on repatriation basis under the 40% Scheme provided the concerned company is engaged in any industrial/manufacturing activities, hospital, hotel of 3 star category and above, Diagnostic centre, shipping, computer software and oil exploration activities. Further, NRIs are also allowed investment upto 100% in the new issue with repatriation benefits in high priority industries covered by Annexure III to the New Industrial Policy.

2. NRIs/OCEs are permitted to make portfolio investment in equity shares/convertible debentures quoted on stock exchange with full benefits of repatriation of capital invested and income earned thereon provided the investment of each non-resident investor/OCB in any one Indian company does not exceed 1% of the paid up equity capital of the company in case of shares and 1% of the total issue of each series in case of convertible debentures and provided further that the total non-resident investment (both with or without repatriation benefits) in equity shares/convertible debentures in a company does not exceed 5% of the total paid up capital/paid-up value of such series of convertible debentures. The overall limits of 5% can be increased to 24% if the concerned company passes a General Body resolution to that effect. There is a lock in period of one year under the scheme.

3. In order to augment the foreign exchange resourses of the country, tax incentive by way of concessional rate of tax on income from investment in certain specified assets and on capital gains on the transfer of such assets have been provided.

These concessions are contained in sections 115 AB (in the case of offshore funds), 115 AC (in the case of non-residents) investing in Euro Equity Chapter X-II A (in the case of non-resident Indians) of the Income Tax Act.

4. Government has also announced guidelines for allowing investments in the Indian capital market by Foreign Institutional Investors (FIIs) vide Finance Ministry's Press Note dated the 14th September, 1992. The main attractive features are :—

(i) There is no lock in period for the investments.

(ii) The individual limit is 5% of the paid up equity capital of the investee company per FII.

(iii) The overall limit for investments is 24% for all FIIs including NRIs.

(iv) The tax on dividend and interest is 20% and on long term capital gains is 10%.

(d) A statement is attached at Annexure 'A' [*See* Appendix X-CLXV, Annexure No. 20].

(e) This has been recommended by Chelliah Committee. The Report of which has already been placed on the Table of the House.

(f) Same as for (d) above.

(g) The differential in the rate of taxation between short term capital gains and long term capital gains is meant to encourage relatively longer term investments by Foreign Institutional Investors in the Indian Stock Markets.

Low credit deposit ratio in Banks in Uttar Pradesh

1276. SHRI SANGH PRIYA GAUTAM : Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that as on the 30th June, 1991, the credit deposit ratio of all Scheduled Banks in Uttar Pradesh was 48 per cent only;

(b) whether it is also a fact that the norms fixed for such ratio by the Reserve Bank of India is 60 per cent while the all India credit deposit ratio is 66 per cent;

(c) whether it is also a fact that the opinion of the Banks in this regard is that this is due to the lack of the big Industries and less loan absorption capacity in the State;

(d) whether the Chief Minister of Uttar Pradesh has written to the Central Government for getting actual benefits of the State's own deposits in Commercial Banks and to advise the R.B.I. for removing the restrictions imposed on commercial banks for providing loans for infrastructure facilities; and

(e) if so, what action has been taken by Government in the matter and what are the results thereof ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH) : (a) to (e) As per information available from Reserve Bank of India (RBI), the Credit-Deposit Ratio as at the end of 30 June, 1991 of all scheduled commercial banks in Uttar Pradesh was 48% as against 61% for the country as a whole. The Credit Deposit Ratio cannot be the sole indicator of economic development of a particular State/Region. The actual level of credit in relation to locally mobilised deposits in a particular State or region depends upon the credit absorption capacity of the State/Region which in turn is determined and influenced by factors such as development of infrastructural facilities and availability of required inputs and marketing outlets for agricultural, industrial production etc. However, with a view to remove regional imbalances in economic development, banks are under instructions of RBI to achieve a credit deposit ratio of 60% in respect of their rural and semi-urban branches separately on all India basis. Banks were also advised that though it is not necessary to achieve this ratio separately, branch-wise, district-wise or region-wise, the bank should ensure that wide disparity in the ratios between different States is avoided.

The State Government of Uttar Pradesh has been requesting the Reserve Bank of India (RBI) and the Government of India to make available credit through the commercial banks operating in the State to execute infrastructural projects such as roads, bridges, fly overs, substations, etc.